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Summary of the economic survey of Latin America and the Caribbean, 1992

SUMMARY

In 1992 the economic situation in Latin America and the Caribbean was similar to what it was in 1991: economic expansion exceeded population growth and inflation declined. However, there was a wider divergence among the performances of the various economies. The performance of Brazil, with an economy that has a very large weight in regional averages, contrasted with that of most of the other countries of the region. The gross domestic product (GDP) of the region as a whole grew by 2.4 per cent, compared to 3.5 per cent in 1991. Excluding Brazil, the output of the economies of Latin America and the Caribbean increased by 4.3 per cent, compared to nearly 5 per cent in 1991. Accordingly, if Brazil is excluded, regional per capita GDP rose by nearly 2.3 per cent in 1992. At the same time, the pronounced downward trend in the rate of inflation continued: only five countries of the region experienced significant increases compared to 1991 and only one, Brazil, had inflation of over three digits.

In view of the international backdrop of widespread recession and uncertainty, this growth, which took place in a context of increasingly stable prices, was a considerable achievement. The sluggishness of world trade in 1992 was reflected in a steady worsening of the terms of trade in goods in almost all the countries of the region, with Argentina being the sole exception. Central American countries were particularly hard hit by this deterioration. However, a considerable number of countries, notably Brazil, Chile, Costa Rica and Honduras, expanded the volume of their exports. The

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vigorous expansion of imports observed the preceding year continued and in some cases even accelerated in 1992, stimulated by tariff liberalization and the appreciation of local currencies. This induced a negative merchandise trade balance for the first time in many years and as a result the current-account deficit of the balance of payments also widened considerably.

What sustained this trend and at the same time contributed to stabilization efforts was a considerable net inflow of financial resources for the second year in a row; indeed, this inflow, amounting to over US$ 57 billion in 1992, has been perhaps the most prominent feature of the regional economic picture of the past two years.

Net capital inflows more than offset the negative effects of the deterioration in the terms of trade. On the domestic front, these resources were quickly channelled to provide a stimulus to private-sector demand. In a few countries, however, capital inflows induced an appreciation of local currencies and occasionally made monetary policy more difficult. Moreover, when short-term capital constituted a large proportion of these inflows, a potential element of volatility was introduced into the economic situation.

The drastic fiscal adjustments of the past three years were sustained, or even tightened, in most countries of the region. Naturally, these policies have contributed to stabilization processes, both directly, through their effect on monetary expansion, and indirectly, by bolstering the confidence of private agents in the permanence of economic policy.

The region's external debt registered an increase of 2 per cent climbing to over US$ 450 billion. This expansion was in part due to new bond placements abroad, disbursements of official loans, an increase in short-term credit operations and an accumulation of arrears in some countries. Other factors, however, helped to prevent further growth of the debt, such as the recent recovery of the dollar against other currencies, which reduced the dollar value of debt denominated in those currencies, and the various debt-reduction mechanisms used in many countries of the region.

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INTRODUCTION

1. In 1992 the economic situation in Latin America and the Caribbean was similar to what it was in 1991: economic expansion exceeded population growth and inflation declined (see table 1 and figure 1). However, there was a wider divergence among the performances of the various economies. In this regard the performance of Brazil, with an economy that has a very large weight in regional averages, contrasted with that of most of the other countries of the region. An increasing number of countries have progressed in consolidating their adjustment processes. However, the persistent sluggishness of world trade and the apparent slowdown of capital inflows in the second half of the year raise some questions that were not present when the year began. Preliminary estimates indicate that the gross domestic product (GDP) of the region as a whole grew by 2.4 per cent (compared to 3.5 per cent in 1991). Excluding Brazil, the output of the rest of the economies of Latin America and the Caribbean increased by 4.3 per cent (compared to nearly 5 per cent in 1991). Accordingly, if Brazil is excluded, regional per capita GDP rose by 0.5 per cent to nearly 2.3 per cent in 1992. At the same time, the pronounced downward trend in the rate of inflation continued: only five countries of the region experienced significant increases compared to 1991 and only one, Brazil, had inflation of over three digits, while the inflation rates of many other countries were only slightly higher than the evolution in international prices.

2. In view of the international backdrop of widespread recession and uncertainty, this growth, which took place in a context of increasingly stable prices, was a considerable achievement. The sluggishness of world trade in 1992 was reflected in a steady worsening of the terms of trade in goods in almost all the countries of the region. Argentina being the sole exception. The Central American countries were particularly hard hit by this deterioration. On the other hand, a considerable number of countries, notably Brazil, Chile, Costa Rica and Honduras, expanded the volume of their exports. The vigorous expansion of imports observed the preceding year continued and in some cases even accelerated in 1992, stimulated by tariff liberalization and the appreciation of local currencies. This induced a negative merchandise trade balance for the first time in many years and as a result the current-account deficit of the balance of payments also widened considerably.

3. What sustained this trend and at the same time contributed to stabilization efforts was a considerable net inflow of financial resources for the second year in a row; indeed, this inflow, amounting to over US$ 57 billion in 1992, has been perhaps the most prominent feature of the regional economic picture over the past two years. The inflow of capital was a result, inter alia, of widening differentials between real interest rates offered in Latin American markets and those prevailing in the United States of America, as well as extraordinary rates of return derived from the economic recovery and privatization processes. Another contributing factor was the expectation of greater stability in view of the economic policies prevailing in the region. The net inflow of capital was used to finance imports, investments and speculative operations and also helped to close fiscal gaps, through the acquisition of government bonds and privatized public enterprises; spurred a non-inflationary expansion of credit to the private sector, for both investment and consumption; and shored up the region's international reserves.

Table 1. Latin America and the Caribbean: main economic indicators a/

Indicator	1985	1986	1987	1988	1989	1990	1991	1992 b/
Gross domestic product at market prices (index, base year 1980=100)	102.6	106.4	109.9	110.8	111.7	112.0	116.0	118.8
Population (millions of inhabitants)	385.2	393.3	401.4	409.5	417.6	425.7	433.7	442.0
Per capita gross domestic product (index, base year 1980=100)	91.8	93.3	94.4	93.3	92.3	90.8	92.2	92.7
				Growth rate (percentage)				
Gross domestic product	2.8	3.7	3.3	0.8	0.9	0.3	3.5	2.4
Per capita gross domestic product	0.6	1.6	1.2	-1.2	-1.1	-1.6	1.6	0.5
Consumer prices c/	280.1	64.1	208.9	773.5	1 205.0	1 185.0	198.7	410.7
Terms of trade (goods)	-4.5	-11.0	-0.9	-0.3	1.3	-0.4	-5.6	-3.4
Purchasing power of exports of goods	-4.6	-11.9	7.8	8.1	4.5	5.3	-1.0	3.0
Current value of exports of goods	-5.8	-15.8	14.4	13.9	10.0	9.6	-0.4	4.0
Current value of imports of goods	0.0	2.6	12.5	14.0	6.5	15.7	18.1	18.4
				Billions of dollars				
Exports of goods	92.0	77.5	88.7	101.0	111.1	121.8	121.3	126.1
Imports of goods	58.2	59.7	67.2	76.6	81.6	94.4	111.5	132.0
Trade balance (goods)	33.8	17.8	21.5	24.4	29.5	27.4	9.8	-5.9
Net payments of profits and interest	35.3	32.6	31.5	34.3	37.9	34.7	30.9	29.6
Balance on current account d/	-3.6	-17.4	-11.1	-11.2	-6.8	-6.2	-19.4	-32.7
Net movement of capital e/	3.0	9.9	15.4	5.5	9.6	20.3	39.2	57.0
Global balance f/	-0.6	-7.5	4.3	5.7	2.8	14.1	19.8	24.3
Total gross external debt g/	385.1	401.0	428.1	420.9	425.4	440.9	442.6	450.9
Net transfer of resources h/	-32.2	-22.6	-16.1	-28.7	-28.0	-14.4	8.4	27.4

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

(Footnotes on following page)

(Footnotes to table 1)

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a/ Figures for gross domestic product and consumer prices refer to the group of countries included in tables 2 and 5, respectively. Data on the external sector correspond to the 19 countries listed in table 11.

b/ Preliminary estimates, subject to revision.

c/ Variation from December to December.

d/ Including net unrequited private transfer payments.

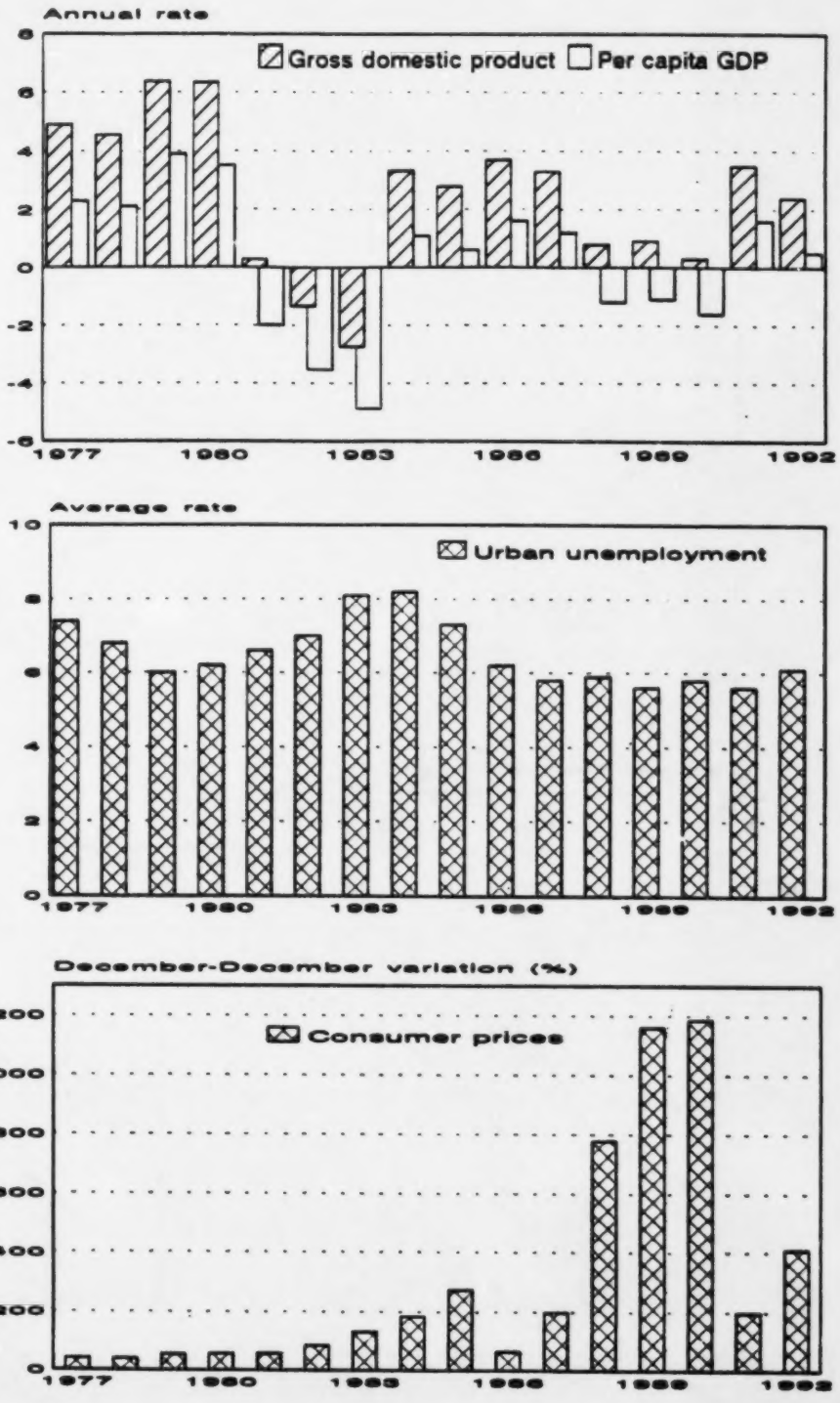
e/ Including long- and short-term capital, unrequited official transfer payments, and errors and omissions.

f/ Corresponding to the variation in international reserves (of opposite sign) plus counterpart items.

g/ See notes to table 13.

h/ Corresponding to net inflow of capital, less net payments of profits and interest.

Figure 1. Latin America and the Caribbean: main economic indicators



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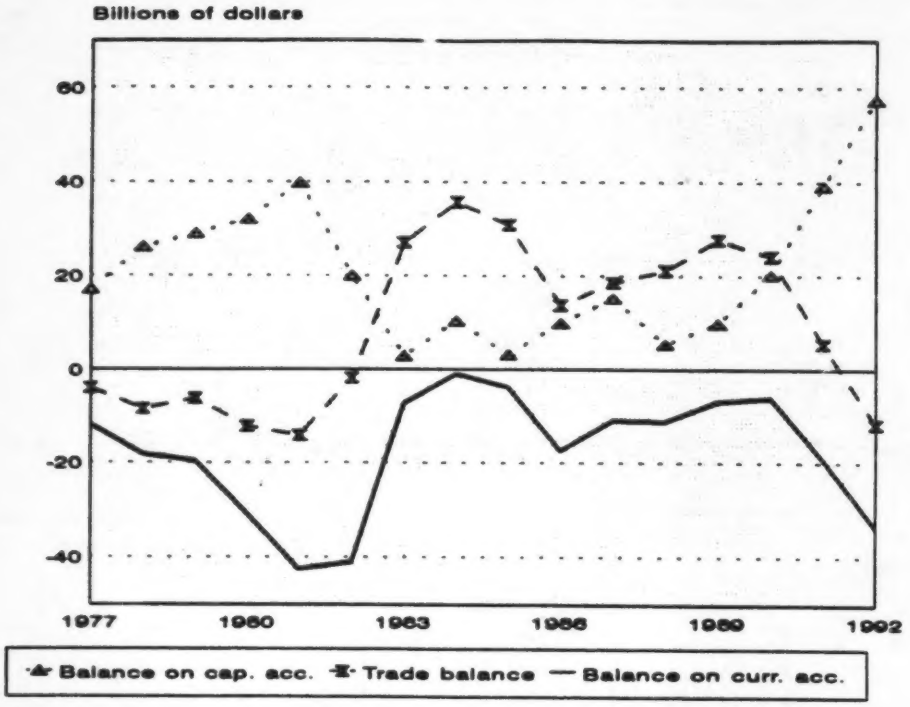

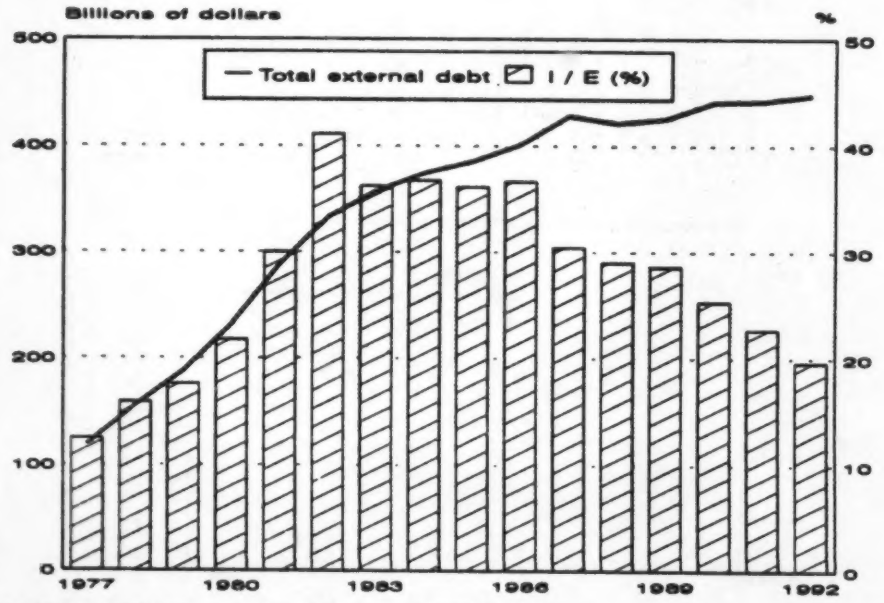

Source: ECLAC, on the basis of official figures.

Abbreviations: I = Total interest due. E = Exports of goods and services.

4. As noted above, the sudden easing of external constraints contributed to economic expansion, without undermining stabilization efforts. Net capital inflows more than offset the negative effects of the deterioration in the terms of trade. On the domestic front, these resources were quickly channelled to provide a stimulus to private-sector demand. In a few countries, however, capital inflows induced an appreciation of local currencies and occasionally made monetary policy more difficult. Moreover, when short-term capital constituted a large proportion of these inflows, a potential element of volatility was introduced into the economic situation.

5. The appreciation of local currencies held down the prices of tradeable goods; however, this was generally not true to the same extent for the costs of private services. Increases in public service rates, associated with fiscal adjustment or privatization, also helped to raise the relative prices of non-tradeables. Overall, the changes in relative prices acted as an incentive to allocate resources towards non-tradeable goods and away from export-oriented sectors.

6. The drastic fiscal adjustments of the past three years were sustained, or even tightened, in most countries of the region. Naturally, these policies have contributed to stabilization processes, both directly, through their effect on monetary expansion, and indirectly, by bolstering the confidence of private agents in the permanence of economic policy. In most cases, the interest burden on fiscal budgets was stabilized, although in proportions that varied from 1 to 4 per cent of GDP. Contributing factors included negotiations to regularize external debt servicing; the decline in international interest rates; and the fiscal adjustment itself, which, in the context of monetary discipline, drastically relieved the need to resort to domestic indebtedness and restricted the possibilities for doing so. In only a few countries, however, can fiscal accounts be said to be structurally balanced. For this to be the case, current income must be solidly backed by a stable tax base, which in turn must be consistent with a level of current spending that can support the normal functioning of government administration and the provision of basic social services. The tax base must also be able to support the public investment required to revamp and develop the infrastructure necessary for economic growth and enhanced social equity.

7. All the above-mentioned phenomena were backed by institutional reforms aimed at reinforcing export-oriented growth and trade liberalization, deregulation of the price system, consolidation of fiscal equilibria and more prudent management of monetary policy. In most countries, however, these reforms have not yet managed to recoup the losses derived from the accumulated social set-backs of earlier years.

8. The apparent slow-down in capital inflows at mid-year, coupled with a continued sluggish world economy, raised some concern towards year-end. This was manifested in the more cautious expectations of economic agents, the behaviour of stock markets and less degrees of freedom for the region's economic management, which has the objective of sustaining growing rates of economic expansion in a context of progressive financial stability.

9. After many years of attempting to diversify export structure, it is of cardinal importance for Latin America and the Caribbean that favourable external

conditions now exist for an ordered expansion of world trade, both with respect to macroeconomic management in the major developed economies and the institutional arrangements that will govern the exchange of goods and services. At the same time, intraregional trade should be encouraged under the reciprocal agreements that have been multiplying in recent years. That the region has become a net importer of financial resources is without doubt a positive sign and achievements in this area should be sustained and consolidated. It is necessary that external capital flows not only maintain continuity in terms of their global dimension but also provide stable financing of productive investment. This in turn requires finding a more appropriate mix of funding, with increased participation of banking capital, more flows from multilateral agencies and an enhanced proportion of institutional portfolio investment, while at the same time attempting to avoid an excess build-up of short-term capital, which could become a source of volatility. Recipient countries need to expand emerging domestic capital markets and strengthen the regulatory framework of financial systems. A particularly important role must also be played by fiscal policy in maintaining an appropriate and flexible balance, on the one hand, to prevent uncertainty in the minds of private agents about the stability of domestic policy and avoid sudden pressures on the financial system, and on the other hand, to allow monetary and exchange-rate policies a greater degree of freedom in which to operate.

I. ECONOMIC ACTIVITY

10. The level of activity in Latin America and the Caribbean grew by 2.4 per cent in 1992. Thus the recovery which had begun last year when growth was 3.5 per cent continued, albeit at a slower pace. Per capita output in 1992 again posted a slight positive increase (0.5 per cent). Nevertheless, regional output was only 19 per cent higher than it had been in 1980, before the debt crisis erupted, while per capita output was 7 per cent below what it had been in 1980 and equivalent to a level already recorded in 1978. The slow growth in regional output has been caused largely by the worsening recession in Brazil. Excluding Brazil, the increase in the output of the other countries was 4.3 per cent, slightly less than the 5 per cent increase of the year before but otherwise the highest figure since 1981.

11. The growth in total output was a fairly general phenomenon, although there were wide divergences. In Chile, the increase was 9.5 per cent, the second highest in the past two decades, continuing that country's steady expansion for the ninth consecutive year and outstripping the 1980 level by more than 50 per cent. In Argentina, the Dominican Republic, Panama, Uruguay and Venezuela, the level of activity was up by 6 to 8 per cent. In four countries, Costa Rica, El Salvador, Guatemala and Honduras, output grew from 4 to 5 per cent; in five countries, Bolivia, Colombia, Ecuador, Guyana and Mexico, it grew about 3 per cent; and in three others, the Bahamas, Jamaica and Paraguay, it grew from 1 to 2 per cent. In three countries, Nicaragua, Trinidad and Tobago, and Suriname, output remained unchanged, while in four, Barbados, Brazil, Haiti and Peru, it fell. Eight countries fared better than they had in 1991, while in seven others the growth rate either remained at its 1991 level or rose somewhat more slowly; in nine others, the level of activity deteriorated or remained modest. As for the smaller countries of the Organization of Eastern Caribbean States (OECS), they maintained their growth rate of previous years, posting an average increase of around 4 per cent, which was higher than the 1991 rate (see table 2).

12. Despite the high rates of population growth in many countries of the region, the results in terms of per capita output were also mainly positive. In six countries, Argentina, Chile, the Dominican Republic, Panama, Uruguay and Venezuela, this indicator of well-being went up by more than 3 per cent, while in eight others the increase was moderate, between 1 per cent and 3 per cent. Meanwhile, in the other 11 countries, per capita output increased slightly or fell. However, as a result of the poor performance of the region's economies over the past decade, per capita output was higher than the 1980 figure in only a few countries: Chile (25 per cent), Colombia (20 per cent), the Bahamas (17 per cent), Jamaica (7 per cent), Uruguay (3 per cent) and the whole group of OECS countries (72 per cent). At the other extreme, the most severe reductions in per capita output occurred in Nicaragua (-39 per cent), Peru (-32 per cent), Trinidad and Tobago (-30 per cent), Haiti (-28 per cent), Guyana (-23 per cent), Bolivia (-21 per cent), Suriname (-19 per cent), Guatemala (-17 per cent), Argentina (-11 per cent) and El Salvador and Honduras (-10 per cent) (see table 3).

Table 2. Latin America and the Caribbean: growth of total gross domestic product

(Percentage, based on values at 1980 prices)

Country, area or group	Annual growth rate								Cumulative variation
	1985	1986	1987	1988	1989	1990	1991	1992 a/	1981-1992 a/
Latin America and the Caribbean b/	2.8	3.7	3.3	0.8	0.9	0.3	3.5	2.4	18.8
Oil-exporting countries	2.1	0.3	2.7	2.0	0.1	4.0	4.5	3.4	24.1
Bolivia	-1.0	-2.5	2.6	3.0	2.8	2.6	4.1	3.5	6.4
Colombia	3.8	6.9	5.6	4.2	3.5	3.7	2.2	3.0	51.1
Ecuador	3.9	2.8	-4.8	8.8	0.2	1.4	4.2	3.5	29.0
Mexico	2.6	-3.8	1.7	1.2	3.3	4.4	3.6	2.5	25.1
Peru	2.3	8.7	8.0	-8.4	-11.5	-5.1	1.9	-2.5	-11.4
Trinidad and Tobago	-4.3	-2.2	-4.6	-3.3	-0.5	2.2	1.8	0.0	-18.2
Venezuela	0.0	6.6	3.8	5.9	-7.8	6.8	10.2	7.5	23.2
Non-oil-exporting countries b/	3.3	6.3	3.7	0.0	1.4	-2.4	2.8	1.6	15.0
South America	3.6	6.7	3.7	0.0	1.2	-2.6	2.9	1.5	14.4
Argentina	-5.1	5.2	3.1	-1.8	-6.3	0.2	7.3	6.0	4.1
Brazil	7.9	7.6	3.6	-0.1	3.3	-4.4	0.9	-1.5	15.2
Chile	2.2	5.7	5.7	7.5	9.8	2.0	5.8	9.5	53.0
Guyana	1.1	0.3	0.8	-2.6	-4.9	-3.0	6.0	3.0	-18.4
Paraguay	4.0	-0.3	4.5	6.7	5.9	3.1	2.3	1.5	41.8
Suriname	2.0	0.8	-6.2	8.2	4.2	-1.7	-2.5	0.0	0.8
Uruguay	1.7	8.3	7.9	-0.2	1.5	0.7	1.6	7.0	10.2
Central America and the Caribbean b/	0.5	2.2	4.4	0.0	3.3	0.9	1.4	2.5	20.9
Bahamas	13.5	3.6	4.9	2.3	2.0	1.0	-2.0	1.0	46.9
Barbados	0.9	5.2	2.6	3.5	3.6	-3.3	-3.3	-2.5	2.8
Belize	0.3	4.5	12.9	10.0	14.2	7.6	4.8	...	...
Cuba c/	4.6	1.2	-3.9	2.2	1.1	...	...	...	...
Haiti	0.4	0.0	-0.7	0.9	1.0	-0.2	-0.3	-5.0	-8.9
Jamaica	-5.4	2.2	6.7	1.1	6.3	3.8	1.9	1.5	23.4
Panama	4.8	3.4	2.2	-15.9	-0.2	5.2	9.1	7.5	24.7
Dominican Republic	-1.9	3.0	8.4	1.5	4.1	-5.5	-1.0	7.5	29.3
Central American Common Market	0.1	1.4	3.3	1.8	3.3	2.3	2.3	3.9	16.8
Costa Rica	0.7	5.3	4.5	3.2	5.4	3.5	1.2	4.0	31.7
El Salvador	1.8	0.5	2.7	1.5	1.1	3.4	3.3	4.5	6.9
Guatemala	-0.6	0.3	3.6	4.0	3.7	2.9	3.2	4.0	17.0
Honduras	2.8	2.3	4.9	4.9	4.7	-0.5	2.2	4.5	33.8
Nicaragua	-4.1	-1.0	-0.7	-12.1	-1.9	-0.7	-0.5	0.5	-13.4

Table 2 (continued)

Country, area or group	Annual growth rate								Cumulative variation 1981-1992 a/
	1985	1986	1987	1988	1989	1990	1991	1992 a/	
OECS countries d/	7.1	6.5	5.0	8.1	5.0	4.9	3.1	4.2	78.0
Antigua and Barbuda	8.7	9.7	9.1	7.7	5.2	2.7	...	...	...
Dominica	1.6	6.8	6.8	8.0	-1.2	6.6	2.1	2.0	61.4
Grenada	5.0	5.4	6.0	5.3	5.7	5.3	3.1	0.5	63.5
Saint Kitts and Nevis	5.7	6.1	7.4	9.8	6.7	3.1	6.8	...	...
Saint Lucia	9.1	5.0	0.5	9.2	5.4	5.6	1.8	...	...
Saint Vincent and the Grenadines	7.1	5.9	5.7	7.4	7.1	7.0	4.6	10.0	113.0

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Preliminary estimates, subject to revision.

b/ Not including Cuba.

c/ Refers to total social product.

d/ OECS: Organization of Eastern Caribbean States.

Table 3. Latin America and the Caribbean: growth of per capita gross domestic product

(Percentage, based on values at 1980 prices)

Country, area or group	Average annual rate								Cumulative variation
	1985	1986	1987	1988	1989	1990	1991	1992 a/	1981-1992 a/
Latin America and the Caribbean b/	0.6	1.6	1.2	-1.2	-1.1	-1.6	1.6	0.5	-7.3
Oil-exporting countries	-0.2	-2.0	0.4	-0.2	-2.0	1.9	2.4	1.3	-5.2
Bolivia	-3.4	-4.9	0.1	0.5	0.4	0.2	1.7	1.1	-21.1
Colombia	1.7	4.9	3.7	2.3	1.7	1.9	0.5	1.4	19.9
Ecuador	1.2	0.2	-7.2	6.1	-2.3	-1.9	1.7	1.1	-5.2
Mexico	0.2	-5.9	-0.5	-1.0	1.0	2.2	1.4	0.6	-4.8
Peru	0.0	6.4	5.8	-10.3	-13.3	-7.0	-0.1	-4.5	-31.8
Trinidad and Tobago	-5.6	-3.5	-5.9	-4.5	-1.8	1.0	0.6	-1.2	-30.0
Venezuela	-2.5	4.0	1.3	3.4	-9.9	4.4	7.8	5.0	-8.3
Non-oil-exporting countries b/	1.3	4.3	1.7	-1.8	-0.4	-4.1	1.0	0.0	-9.0
South America	1.6	4.7	1.8	-1.7	-0.5	-4.3	1.3	-0.1	-8.4
Argentina	-6.4	3.8	1.8	-3.0	-7.5	-1.0	6.0	4.8	-11.2
Brazil	5.7	5.5	1.6	-2.0	1.4	-6.1	-0.8	-3.1	-9.3
Chile	0.5	4.0	3.9	5.7	8.0	0.3	4.1	7.8	25.4
Guyana	0.5	0.0	-0.8	-2.6	-5.0	-3.4	5.3	2.1	-23.4
Paraguay	0.9	-3.3	1.4	3.6	2.9	0.2	-0.5	-1.3	-1.3
Suriname	0.0	-1.1	-8.0	6.1	2.2	-3.5	-4.3	-1.9	-19.0
Uruguay	1.0	7.7	7.3	-0.7	0.9	0.2	1.0	6.4	2.6
Central America and the Caribbean b/	-1.8	-0.1	2.0	-2.3	0.9	-1.5	-1.4	1.7	-8.7
Bahamas	11.3	1.7	3.0	0.5	0.2	-0.7	-3.7	-0.7	16.8
Barbados	0.6	4.8	2.3	3.2	3.3	-3.6	-3.6	-3.0	-1.0
Belize	-2.3	1.7	9.9	7.1	11.3	5.0	2.5	...	...
Cuba c/	3.6	0.2	-4.8	1.1	0.0	...	...	...	...
Haiti	-1.5	-1.9	-2.6	-1.1	-1.0	-2.2	-2.3	-6.9	-27.8
Jamaica	-6.7	1.1	5.7	0.3	5.4	2.9	0.9	0.5	6.6
Panama	2.6	1.2	0.1	-17.6	-2.2	3.1	7.0	5.4	-3.0
Dominican Republic	-4.1	0.7	6.0	-0.7	1.8	-7.5	-3.1	5.5	-1.4
Central American Common Market	-2.4	-1.2	0.7	-0.8	0.5	-0.5	-0.5	1.0	-15.0
Costa Rica	-2.1	2.3	1.6	0.4	2.6	0.8	-1.4	1.5	-5.7
El Salvador	0.6	-1.0	1.0	-0.3	-0.8	1.4	1.2	2.4	-10.4
Guatemala	-3.4	-2.6	0.7	1.0	0.8	0.0	0.3	1.2	-16.9
Honduras	-0.7	-1.1	1.6	1.6	1.5	-3.5	-0.9	1.2	-10.3
Nicaragua	-6.7	-3.5	-3.0	-14.2	-4.5	-3.7	-4.0	-3.4	-38.6

Table 3 (continued)

Country, area or group	Average annual rate								Cumulative variation
	1985	1986	1987	1988	1989	1990	1991	1992 a/	1981-1992 a/
OECS countries d/	6.5	5.9	4.0	7.4	4.4	4.3	2.5	3.9	71.5
Antigua and Barbuda	7.9	9.1	8.4	7.1	4.5	2.0	...	...	...
Dominica	2.2	7.2	7.1	8.2	-0.9	6.9	2.4	2.4	69.1
Grenada	4.7	5.2	5.8	5.0	5.4	5.0	2.8	0.4	59.3
Saint Kitts and Nevis	6.2	6.6	7.9	10.3	7.2	3.6	7.3	...	...
Saint Lucia	7.5	3.5	-0.9	7.7	3.9	4.1	0.5	...	...
Saint Vincent and the Grenadines	6.3	4.9	4.7	6.4	6.1	6.0	3.6	8.9	91.5

Source: Economic Commission for Latin American and the Caribbean, on the basis of official figures. Population figures estimated by the Latin American Demographic Centre.

a/ Preliminary estimates, subject to revision.

b/ Not including Cuba.

c/ Refers to total social product.

d/ OECS: Organization of Eastern Caribbean States.

13. There were few changes of any significance in unemployment rates compared to previous years, as most economies of the region experienced only moderate growth. The drop in unemployment was noteworthy only in those economies where the level of activity had increased sharply, such as Chile, Panama and Venezuela. In Argentina and Uruguay, on the other hand, the jobless rate rose only slightly, despite a significant increase in the level of activity. In Colombia, the unemployment rate rose by one half of a percentage point, moving to 10.5 per cent. Brazil also registered higher unemployment, for the third consecutive year, owing to the acute recession in which it has been trapped for several years.

II. PRICES AND WAGES

14. With a few exceptions, inflation in Latin America and the Caribbean continued to subside in 1992. None the less, the persistent inflationary trend in Brazil at a monthly rate of over 20 per cent doubled the regional weighted average, which rose to an annual 410 per cent. Excluding Brazil, however, inflation fell to only 22 per cent, less than half the 1991 level and a long way below the 900 per cent registered two years earlier (see table 4). Countries fell into four main groups, each very different from the other. The first group, composed solely of Brazil, had by far the highest rate, with an annual price increase on the order of 1,130 per cent. The second group, composed of Ecuador, Peru and Uruguay, registered a rate on the order of 60 per cent. The third group, composed of Colombia and Venezuela, had rates close to 30 per cent. And the fourth and final group, composed of Argentina, Barbados, Bolivia, Chile, Costa Rica, the Dominican Republic, El Salvador, Guatemala, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, and Trinidad and Tobago, had inflation rates below 20 per cent.

15. Macroeconomic policy in Brazil stood in sharp contrast to that observed elsewhere in the region, due partly to the current system of monthly indexing, which introduces a highly inertial component into inflation, and partly to more relaxed fiscal management and the deep domestic indebtedness of the public sector. Monetary policy thus became the only tool for controlling inflation, which resulted in high real interest rates and lower output, putting Brazil into a difficult situation characterized by high inflation with recession.

16. By contrast, in most countries of the region, domestic price stabilization continued to be the focal point of macroeconomic policy. In that respect, the effort to achieve financial equilibrium in the public sector was stepped up, prudent monetary policies were adopted and exchange rate trends were monitored in order to ensure compatibility with anti-inflationary goals. Bolivia, Honduras and Nicaragua, whose economies operate on a smaller scale, maintained or even widened their already considerable fiscal deficits, but this had no effect on domestic prices because of abundant financing from abroad, largely in the form of official assistance. In the case of Ecuador, El Salvador, Guatemala, Paraguay and Venezuela, however, more relaxed fiscal management caused incipient flare-ups of inflation, with certain signs of repressed prices in those countries where there was lagged adjustment of prices and public-sector rates.

17. Capital inflows continued to be high in some countries; in these cases, local currencies continued to appreciate (see table 5), bolstering stabilization efforts, but the related build-up of international reserves made it more difficult to implement monetary policy. In other cases, a deceleration of short-term foreign capital inflows permitted authorities to break the cycle of monetary expansion through the purchase of foreign currency and the simultaneous increase in the domestic interest rate as a result of the sterilization of the excess money supply. Tariff reduction and trade liberalization programmes, which often coincided with the appreciation of local currency, also reinforced disinflation by stimulating an increase in the aggregate supply and hence an increase in imports at lower domestic prices.

Table 4. Latin America and the Caribbean: December to December variations in consumer price indices

(Percentage)

Country or area	1984	1985	1986	1987	1988	1989	1990	1991	1992 a/
Latin America and the Caribbean	188.3	280.1	64.1	208.9	773.5	1 205.0	1 185.0	198.7	410.7
Argentina	688.0	385.4	81.9	174.8	387.7	4 923.6	1 343.9	84.0	18.0 b/
Barbados	5.1	2.4	-0.5	6.3	4.4	6.6	3.4	8.1	5.8 c/
Bolivia	2 177.2	8 170.5	66.0	10.7	21.5	16.6	18.0	14.5	11.4 d/
Brazil	209.1	239.0	59.2	394.7	992.7	1 861.6	1 584.6	475.8	1 131.5 b/
Colombia	18.4	22.4	21.0	24.0	28.2	26.1	32.4	26.8	25.7 b/
Costa Rica	17.3	10.9	15.4	16.4	25.3	10.0	27.3	25.3	18.1 d/
Chile	23.2	26.2	17.4	21.4	12.7	21.5	27.3	18.7	14.0 b/
Ecuador	25.1	24.4	27.3	32.5	85.7	54.2	49.5	49.0	66.0 d/
El Salvador	9.1	31.9	30.3	19.6	18.2	23.5	19.3	9.8	16.8 d/
Guatemala	7.2	27.9	21.4	9.3	12.3	20.2	59.6	10.2	11.6 d/
Haiti	5.4	17.4	-11.4	-4.1	8.6	10.9	26.1	6.6	17.5 b/
Honduras	2.7	4.2	3.2	2.9	6.6	11.5	36.4	21.4	5.4 d/
Jamaica	31.2	23.3	10.4	8.4	8.9	17.2	29.7	76.8	13.7 e/
Mexico	59.2	63.7	105.7	159.2	51.7	19.7	29.9	18.8	12.9 b/
Nicaragua	47.3	334.3	747.4	1 347.2	33 547.6	1 689.1	13 490.2	775.4	2.2 d/
Panama	0.9	0.4	0.4	0.9	0.3	-0.2	1.2	1.1	1.2 e/
Paraguay	29.8	23.1	24.1	32.0	16.9	28.5	44.1	11.8	17.0 b/
Peru	111.5	158.3	62.9	114.5	1 722.6	2 775.3	7 649.6	139.2	56.6 b/
Dominican Republic	50.9	28.3	6.5	25.0	57.6	41.2	100.7	4.0	5.9 e/
Trinidad and Tobago	14.1	6.5	9.9	8.3	12.1	9.3	9.5	2.3	7.7 e/
Uruguay	66.0	83.2	70.6	57.3	69.0	89.2	129.0	81.5	58.6 b/
Venezuela	18.3	7.3	12.7	40.3	35.5	81.0	36.5	31.0	33.4 d

Source: International Monetary Fund, International Financial Statistics, November 1992, and information provided by the countries.

(Footnotes on following page)

(Footnotes to table 4)

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a/ Figures corresponding to the variation in prices during the 12-month period ending in the month indicated for each country.

b/ Corresponding to the variation between November 1991 and November 1992.

c/ Corresponding to the variation between June 1991 and June 1992.

d/ Corresponding to the variation between October 1991 and October 1992.

e/ Corresponding to the variation between September 1991 and September 1992.

Table 5. Latin America and the Caribbean: real effective exchange rate indices for exports a/

(Base: 1985 = 100)

Country	Deflator b/	1978	1979-1981	1982-1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 c/
Oil-exporting countries													
Bolivia	CPI	143	137	116	88	100	136	139	147	135	191	215	234
Colombia	CPI	94	88	78	86	100	132	147	150	153	173	171	174
	WPI	100	95	84	89	100	125	138	139	139	160	158	167
Ecuador	CPI	74	73	74	102	100	110	125	146	150	159	151	143
Mexico d/	CPI	95	82	112	101	100	139	145	118	110	108	98	91
	WPI	101	88	120	101	100	131	133	112	107	107	96	90
Peru	CPI	108	93	79	83	100	89	81	84	52	42	35	33
Venezuela	CPI	97	88	81	99	100	121	161	156	184	192	180	169
	WPI e/	110	103	92	106	100	111	136	142	153	170	168	164
Non-oil-exporting countries													
South America													
Argentina	CPI	101	69	108	95	100	107	131	137	144	113	86	82
	WPI	108	86	100	91	100	122	155	138	131	134	139	156
Brazil	CPI	65	79	81	97	100	106	104	94	72	65	76	85
	WPI	95	104	99	100	100	105	109	98	75	70	88	99
Chile	CPI	82	70	72	80	100	123	134	141	133	140	138	133
	WPI	105	80	85	87	100	115	122	140	134	142	134	130
Paraguay f/	CPI	88	66	78	81	100	107	115	120	125	125	108	108
Uruguay	CPI	107	78	81	97	100	99	103	111	111	129	111	104
	WPI	107	81	96	100	100	102	103	116	121	137	116	113
Central America and the Caribbean													
Costa Rica	CPI	70	90	114	98	100	107	112	117	110	112	121	116
	WPI	95	104	106	96	100	107	118	126	121	126	134	130
El Salvador	CPI	204	182	137	117	100	162	139	122	105	141	134	135
Guatemala	CPI	123	120	114	113	100	142	185	186	188	220	192	193
Haiti g/	CPI	136	129	116	107	100	103	123	123	150	156	145	139

Table 5 (continued)

Country	Deflator b/	1978	1979-1981	1982-1983	1984	1985	1986	1987	1988	1989	1990	1991	1992 c/
Honduras	CPI	136	127	107	101	100	109	117	118	109	195	200	197
Nicaragua	CPI	407	342	186	117	100	38	10	184	220	169	162	162
Dominican Republic	CPI	75	74	84	118	100	92	113	131	95	85	87	89

Source: Economic and Social Commission, on the basis of figures compiled by the International Monetary Fund.

a/ Corresponding to the average indices of the real exchange rate (official principal) between the currency of each country and the currencies of its main trading partners weighted by the relative participation of each of those countries in the exports of the country under analysis. These weightings correspond to the average for the period 1986-1990. For the methodology and sources used, see Economic Commission for Latin America and the Caribbean, Economic Survey of Latin America, 1981 (United Nations publication, Sales No. E.83.II.G.2).

b/ The abbreviation CPI indicates that the consumer price index was used in all the countries and the abbreviation WPI indicates that the wholesale price was used in the country under analysis and in most of its trading partners. Where this information was not available the consumer price index was used.

c/ January-September average.

d/ The exchange rate was used as follows: median rate between the average selling and buying rates declared by the main commercial banks to the Bank of Mexico up to July 1982; preferential rate for commodity imports from August to November 1982; and median rate between the selling and buying rates in the controlled market after November 1982.

e/ National commodities subindex of the wholesale price index.

f/ Free or parallel exchange rate used.

g/ From 1987 on, the commercial exchange rate was used.

18. Consumer prices everywhere rose much more rapidly than wholesale prices. A crucial factor behind this was the more rapid upswing in the prices of non-tradeable goods in increasingly segmented markets, where private demand was greater and public services were curtailed.

19. Stabilization efforts were particularly successful in Argentina and Nicaragua, which, in the space of two years, not only escaped hyper-inflation but also reduced the rate of consumer price increases to an annual 18 per cent in Argentina and a mere 2 per cent in Nicaragua. In both cases, the achievement of stability was based on the determination of fixed parity between the local currency and the dollar, in a climate in which external financing was plentiful and fiscal management was under control (equilibrium in Argentina and externally financed deficit in Nicaragua; see table 6). Also, in both Argentina and Nicaragua, with the stimulus of a slow but steady rise in the relative prices of non-tradeable goods and services, the current-account deficit widened. Stabilization was accompanied by a substantial recovery of production in Argentina, but in Nicaragua the adjustment, stabilization and restructuring programme kept the economy in a recession.

20. The other high-inflation countries continued to encounter difficulties in deactivating their inflationary processes. In Peru, progress in the stabilization programme was significant, consolidating the reversal of the hyper-inflationary trend of the 1988-1990 triennium; however, the lowering of inflation from 140 per cent in 1991 to less than 60 per cent in 1992 took place amid a recession. Inertial elements remained very strong in Uruguay; this and a considerable external demand, largely the overflow of Argentine domestic demand, prevented a more rapid slowdown of inflation, which in any case decreased from slightly more than 80 per cent in 1991 to less than 60 per cent in 1992. Ecuador, the third member of the group of countries with the highest inflation in 1992 after Brazil, is a special case, since fiscal and foreign exchange adjustment measures taken by the new Government caused a price surge in the second half of the year; consumer prices thus increased by nearly 65 per cent in 1992, after remaining firmly at 50 per cent for three years. The process of high inflation in Ecuador and Uruguay, however, is occurring in a context of sustained economic growth.

21. On a smaller scale, on the order of 30 per cent annually, Colombia and Venezuela also encountered strong resistance to their efforts to drive down the rate of inflation, which dropped only slightly in Colombia under more relaxed fiscal and monetary policies and rose in Venezuela in the context of growing fiscal distortion. In any case, both countries continued on a course of steady growth, figures in Venezuela being particularly high.

22. Those countries whose economies were subject to structural adjustment and which had managed to control surges of inflation during the previous year made further progress towards stabilization within a framework of sustained growth. The process was particularly successful in Chile, which decreased its annual rate of inflation from 18 to 14 per cent in conjunction with sharp increases in aggregate demand. Bolivia and Mexico also managed to slow the rate of domestic price increases to 11 and 13 per cent respectively, while simultaneously expanding production, but their growth rates were more moderate. Paraguay alone was worse off; its rate of inflation rose from 12 to 17 per cent.

Table 6. Latin America and the Caribbean: public sector deficit or surplus a/

(Percentage of gross domestic product)

Country	Coverage	1987	1988	1989	1990	1991 b/	1992 b/
Argentina	NNFPS	-6.7	-8.6	-4.8	-5.1	-2.2	-
Bolivia	NFPS	...	...	-4.5	-3.9	-3.0	-3.0
Brazil	NFPS c/	-5.7	-4.8	-6.9	1.2	0.3	-1.5
Colombia	NFPS	...	-2.1	-1.9	-0.4	0.1	-0.4
Costa Rica	CG	-2.0	-2.5	-4.1	-4.4	-3.1	-2.0
Chile	NFPS	2.6	3.9	5.5	1.5	1.7	1.8
Ecuador	NFPS	-9.6	-5.3	-1.6	0.6	-1.2	-3.2
El Salvador	CG	-3.8	-3.2	-4.5	-3.2	-4.6	-4.7
Guatemala	CG	-2.5	-2.5	-3.8	-2.3	0.4	-0.5
Haiti	CG	-7.0	-5.2	-6.6	-5.8	-3.9	...
Honduras	CG	-6.6	-6.9	-7.3	-6.3	-3.1	-5.8
Mexico	CPS	-15.5	-12.5	-5.7	-4.0	1.8	3.4
	CG	-14.3	-9.7	-5.1	-2.9	3.4	4.6
Nicaragua	CG	-16.6	-26.6	-6.7	-19.7	-8.0	-7.3
Panama	CG	-4.6	-5.4	-7.3	-2.4	-3.3	-3.0
Paraguay	CG	-0.1	0.7	1.5	2.9	-0.4	-0.5
Peru	CG	-5.7	-2.5	-4.2	-2.5	-0.6	-1.0
Dominican Republic	CG	-2.2	-1.6	-0.1	0.3	0.8	3.0
Uruguay	CG	-1.3	-2.0	-3.4	-0.1	0.4	1.0
Venezuela	NFPS	-4.4	-8.6	-1.1	0.2	1.2	-7.5

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

Note: The following sign and abbreviations are used in this table:

- Deficit
CG Central Government
NFPS Non-financial public service
NNFPS National non-financial public service
CPS Consolidated public sector

a/ Calculated on the basis of figures in local currency at current prices.

b/ Preliminary estimates.

c/ Operational deficit.

23. Stabilization processes were consolidated in several Central American and Caribbean countries. Annual inflation was higher than 15 per cent in only three of them, Costa Rica, El Salvador and Haiti; in the others inflation was below 10 per cent. Despite these low rates, there were surges of inflation in the Dominican Republic, El Salvador, Guatemala, and Trinidad and Tobago. In Jamaica, which brought its annual rate of inflation down to 13 per cent after it had soared to 77 per cent in 1991, rapid price stabilization was one of the year's highlights among this group.

24. In general, based on the scant information available, it would seem that the purchasing power of average salaries and wages increased in 1992. Real wages remained unchanged in Argentina and Colombia but rose in the other countries. In the case of Chile, Mexico and Uruguay, this meant that workers benefited in part from the more productive economy. In Brazil, after a year of severe decline, real wages paid to workers in the largest cities increased, most likely owing to systems providing for more frequent than usual wage adjustments. In any case, with very few exceptions, current real wage levels are well below what they were before the external debt crisis.

III. THE EXTERNAL SECTOR

25. The year 1992 saw a new, more wide-ranging expansion of import capacity in Latin America and the Caribbean. This was due to the rise in net capital inflows, since the region's increase in the value of exports was modest and net payments of profits and interest were reduced only marginally. This situation, coupled in many cases with appreciating local currencies and an upholding or deepening of import liberalization, made it possible to continue the general boom in imports throughout the region. Thus, the region's formerly ample trade surplus turned into a deficit. Furthermore, only a small number of countries, among which Brazil stands out due to the sheer size of its surplus, have maintained a positive merchandise trade balance. Brazil's exports to Argentina under prevailing free-trade agreements has been a strong factor in the increase of the former's surplus.

26. The terms of trade of the region underwent a new decline in 1992, amounting to more than 3 per cent, thus accentuating the almost steady deterioration observed since 1984, which represents 22 per cent in cumulative terms (see table 7). This year the downturn affected both oil-exporting and other countries. Accordingly, despite the significant increase in their volume, the purchasing power of the region's merchandise exports expanded by only 3 per cent.

27. The value of merchandise exports from Latin America and the Caribbean continued to climb slowly, this time by 4 per cent, reaching US$ 126 billion (see tables 8 and 10). The sluggish growth stemmed from the slump in unit values, since export volumes rose by 6 per cent. Even so, only half the countries of the region managed to augment their exports at a higher rate than that of world trade in general.

28. The value of exports from oil-exporting countries contracted slightly, owing to the decline in unit values, which some countries of this group were able to partially offset by increasing volumes. However, the somewhat more abundant capital inflows maintained oil-exporting countries' capacity to import and permitted reserve accumulation.

29. The non-oil-exporting countries of South America raised the value of their exports: those of Brazil and Chile increased considerably in value, by about 12 per cent. Combined with the upsurge in net capital inflows to Brazil, Argentina and, to a lesser extent, Chile, this rise in export values represented a considerable expansion of the group's import capacity. Of the Central American and Caribbean countries, Costa Rica, Guatemala and Honduras significantly expanded the value of their exports, despite the slight deterioration in unit values. Conversely, lower prices resulted in lower total values in other countries of the group.

30. The value of merchandise imports in Latin America and the Caribbean rose to US$ 132 billion, again representing an increase of 18 per cent and prolonging a sharp expansion for the third year running (see tables 9 and 10). This growth was even more widespread than in 1991, although the variation in the regional total was strongly influenced by the import expansion of Mexico (US$ 8 billion), Argentina (US$ 5.7 billion), Venezuela (US$ 2.6 billion) and Chile (US$ 1.8 billion).

31. The merchandise trade balance, which had been positive by US$ 10 billion in 1991, turned into a deficit of nearly US$ 6 billion (see table 10). At the same time, net non-factor service payments continued to expand, rising to US$ 4.9 billion.

32. Net payments of profits and interest continued to diminish, this time to US$ 29.6 billion. This was mainly due to the decline in international interest rates, the effect of which was partly offset by higher remittances of profits.

33. The balance-of-payments deficit on current account widened once again in 1992, this time to nearly US$ 33 billion, owing to the deterioration of the trade balance (see table 11).

34. The bigger current-account deficit was easily financed through the net flow of US$ 57 billion of capital into the region, which greatly surpassed the US$ 39 billion inflow in 1991. Although the increase in capital inflows was fairly widespread, the net rise of US$ 18 billion in the regional total was accounted for by only a few countries, primarily Brazil, which registered US$ 10 billion in net capital inflows, compared to only a little more than US$ 1 billion the year before. Argentina also experienced a sizeable increase of US$ 4 billion in the net inflow of capital, which totalled US$ 9.3 billion in 1992. Capital inflows into Mexico exceeded US$ 23 billion, or US$ 1.8 billion more than in 1991. Increases of US$ 1.5 billion into Venezuela and US$ 1.3 billion into Chile accounted for a good proportion of the additional capital flows into the region.

35. Capital entering the region in 1992 was still essentially from private, non-banking sources and consisted of various types of investments. The most important flows consisted of financial placements and short-term credits. The acquisition of stocks also represented a large proportion of inflows, mainly in Mexico, although they were significant in Argentina, Brazil and Venezuela as well. Foreign direct investment increased considerably, mainly in Mexico and to a lesser extent in Brazil, Argentina, Chile and Venezuela. These countries also placed abroad large amounts of either government or private sector bonds.

36. As the net capital inflow was far greater than the current-account deficit, the international reserves of most countries of the region continued to increase for the fourth year in a row. However, more than half the rise in the regional aggregate total was accounted for by Brazil, whose reserves expanded by more than US$ 16 billion.

37. The increased amount of net capital flows, under circumstances in which payments of profits and interest were on the decline, meant that the net transfer of financial resources to the region rose from US$ 8 billion to US$ 27 billion, a figure that had just become positive after a decade of negative balances in 1991 (see table 12). Most of this expansion resulted from Brazil, Argentina and Chile converting their formerly negative net transfers to largely positive ones in 1992.

Table 7. Latin America and the Caribbean: terms of trade (goods), free on board

Country, area or group	Index				Rate					Cumulative variation 1981-1992 a/
	1989	1990	1991	1992 a/	1988	1989	1990	1991	1992 a/	
Latin America and the Caribbean	79	79	74	72	-0.3	1.3	-0.4	-5.6	-3.4	-28.3
Oil-exporting countries	69	74	64	62	-12.6	7.8	6.8	-13.6	-3.9	-38.5
Bolivia	82	80	64	58	-11.3	0.4	-2.6	-19.3	-9.7	-41.9
Colombia	88	82	78	73	-0.7	-4.3	-6.5	-5.4	-5.5	-26.7
Ecuador	63	69	61	58	-15.2	3.8	9.1	-11.4	-4.5	-42.0
Mexico	67	72	63	62	-13.3	5.9	7.0	-11.9	-1.4	-37.8
Peru	95	82	74	72	16.5	-5.0	-13.2	-9.5	-3.0	-27.9
Venezuela	64	78	62	57	-18.4	20.0	21.0	-20.9	-7.8	-43.3
Non-oil-exporting countries	88	83	86	84	10.0	-3.1	-5.8	3.5	-2.7	-16.3
South America	89	83	87	85	11.2	-4.0	-6.1	4.5	-2.0	-14.9
Argentina	68	68	67	68	5.3	2.1	0.0	-1.2	0.6	-32.0
Brazil	89	84	92	90	11.1	-8.2	-5.7	9.4	-2.1	-10.2
Chile	95	86	87	84	21.0	-4.0	-9.3	1.7	-3.9	-16.0
Paraguay	133	130	133	121	5.9	5.5	-2.5	2.5	-8.6	21.8
Uruguay	114	102	100	98	6.6	0.4	-10.6	-2.0	-1.5	-2.0
Central America and the Caribbean	96	91	91	86	3.3	-0.5	-5.2	0.9	-6.4	-14.5
Costa Rica	84	73	73	69	0.3	-4.8	-12.3	-0.8	-5.9	-31.5
El Salvador	66	57	55	51	7.6	-13.3	-14.6	-3.5	-7.4	-49.5
Guatemala	94	85	82	77	2.4	1.7	-9.9	-3.3	-5.7	-22.9
Haiti	90	82	86	78	-8.1	-9.0	-8.4	4.5	-10.0	-22.5
Honduras	104	95	102	91	18.3	2.5	-7.8	6.6	-10.8	-9.3
Nicaragua	107	99	90	75	0.9	4.3	-7.5	-9.1	-15.8	-24.7
Panama	114	125	124	119	-0.7	2.7	10.1	-1.4	-3.5	19.3
Dominican Republic	93	76	73	68	13.4	5.0	-18.7	-3.4	-7.4	-32.3

Source: Economic Commission for Latin America and the Caribbean.

Note: For indexes, base: 1980 = 100. Rate means annual growth rate.

a/ Preliminary estimates.

Table 8. Latin America and the Caribbean: exports of goods, free on board

Country, area or group	Value				Unit value				Volume			
	Index 1992 a/	Rate (percentage) 1990	1991	1992 a/	Index 1992 a/	Rate (percentage) 1990	1991	1992 a/	Index 1992 a/	Rate (percentage) 1990	1991	1992 a/
Latin America and the Caribbean	142	9.6	-0.4	4.0	76	3.8	-4.4	-2.3	186	5.7	4.0	6.4
Oil-exporting countries	121	20.5	-2.8	-1.9	67	11.9	-9.6	-2.7	180	7.7	7.5	0.8
Bolivia	66	14.8	-8.5	-18.4	67	-4.9	-10.5	-8.0	100	20.8	2.3	-11.3
Colombia	179	17.4	6.9	-5.8	82	-1.0	-3.4	-3.5	218	18.6	10.7	-2.3
Ecuador	118	15.3	5.0	4.0	56	9.6	-4.7	-4.0	209	5.2	10.2	8.4
Mexico	176	17.9	1.1	0.9	68	12.8	-7.4	-0.5	258	4.5	9.1	1.4
Peru	85	-7.4	3.0	0.2	92	-2.6	0.0	-2.0	93	-4.9	3.0	2.2
Venezuela	74	35.1	-14.6	-5.9	58	21.2	-18.3	-6.0	127	11.5	4.4	0.1
Non-oil-exporting countries	165	1.4	1.7	9.1	87	-2.1	1.3	-2.0	191	3.6	0.5	11.3
South America	178	0.5	0.4	10.2	85	-2.4	0.7	-1.6	210	2.9	-0.3	12.0
Argentina	158	29.1	-3.1	6.1	78	-4.0	-2.0	1.0	204	34.5	-1.1	5.0
Brazil	177	-8.6	0.7	12.6	86	-1.3	2.1	-2.0	205	-7.4	-1.4	14.9
Chile	212	2.8	7.4	11.6	88	-1.9	0.2	-3.0	242	4.8	7.2	15.0
Paraguay	275	10.8	-7.8	-13.2	94	-2.9	-1.1	-8.0	294	14.1	-6.8	-5.6
Uruguay	159	5.9	-5.2	4.7	99	-3.7	-0.8	-0.5	160	10.0	-4.5	5.2
Central America and the Caribbean	115	7.9	9.6	2.7	101	-1.4	3.5	-4.2	114	9.5	5.8	7.2
Costa Rica	177	1.6	10.1	18.7	77	-5.2	4.8	-5.0	230	7.1	5.0	24.9
El Salvador	54	16.6	1.3	-0.5	70	-28.0	-1.8	-7.0	78	61.9	-0.4	7.1
Guatemala	86	7.6	1.5	6.5	80	-2.9	-2.5	-4.0	107	10.8	4.1	10.9
Haiti	44	8.1	1.6	-41.3	85	-3.0	1.6	-8.0	51	11.4	0.0	-37.6
Honduras	104	-4.0	-4.7	9.5	87	-3.2	-0.1	-9.0	120	-0.8	-4.6	20.4
Nicaragua	52	4.3	-19.3	-12.3	76	-2.9	-3.2	-14.5	69	7.4	-16.7	2.6
Panama	183	23.8	25.2	-0.3	156	12.4	1.0	-1.5	117	10.1	23.9	1.1
Dominican Republic	61	-20.5	-10.4	-10.3	77	-14.7	-3.7	-5.5	80	-6.9	-6.9	-5.1

Source: Economic Commission for Latin America and the Caribbean.

Note: For indexes, base: 1980 = 100. Rate means annual growth rate.

a/ Preliminary estimates.

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Table 9. Latin America and the Caribbean: imports of goods, free on board

Country, area or group	Value				Unit value				Volume			
	Index	Rate (percentage)			Index	Rate (percentage)			Index	Rate (percentage)		
	1992 a/	1990	1991	1992 a/	1992 a/	1990	1991	1992 a/	1992 a/	1990	1991	1992 a/
Latin America and the Caribbean	146	15.7	18.1	18.4	107	4.2	1.3	1.0	205	11.1	16.6	17.2
Oil-exporting countries	179	21.5	22.2	20.6	109	4.7	4.6	1.3	164	15.9	16.9	19.1
Bolivia	154	6.3	3.7	10.1	114	-2.5	10.8	2.0	135	9.0	-6.5	8.0
Colombia	130	12.1	-11.2	22.8	112	5.8	2.1	2.0	116	5.9	-13.0	20.3
Ecuador	101	1.1	29.0	2.4	97	0.6	7.5	0.5	104	0.5	20.0	1.9
Mexico	245	33.6	22.1	21.0	110	5.3	5.0	1.0	223	26.9	16.3	19.8
Peru	129	26.2	20.9	13.6	127	12.3	10.4	1.0	101	12.4	9.5	12.5
Venezuela	116	-6.5	48.4	25.3	103	0.2	3.2	2.0	114	-6.7	43.7	22.9
Non-oil-exporting countries	120	10.2	13.9	15.8	104	3.8	-2.2	0.7	115	6.0	16.5	15.0
South America	114	11.1	14.1	17.0	100	3.9	-3.6	0.4	114	6.9	18.3	16.5
Argentina	139	-3.6	98.6	76.6	114	-4.1	-0.9	0.5	122	0.5	100.4	75.6
Brazil	88	13.1	1.7	-4.3	96	4.8	-6.7	0.0	92	8.0	9.0	-4.3
Chile	168	8.2	4.5	24.7	104	8.2	-1.5	1.0	161	0.0	6.1	23.5
Paraguay	233	45.0	14.1	-6.3	77	-0.4	-3.5	0.5	303	45.7	18.2	-6.8
Uruguay	103	11.5	21.8	10.8	101	7.7	1.1	1.0	101	3.6	20.5	9.6
Central America and the Caribbean	143	7.9	13.2	12.2	118	4.1	2.6	1.7	122	3.6	10.4	10.3
Costa Rica	160	14.3	-5.5	29.9	112	8.2	5.6	1.0	143	5.6	-10.5	28.6
El Salvador	160	8.3	9.7	10.9	139	-15.7	5.4	0.5	115	28.4	4.0	10.3
Guatemala	142	-3.8	17.2	25.2	104	7.7	0.8	2.0	136	-10.7	16.2	22.7
Haiti	64	-4.6	21.5	-31.7	110	5.9	-2.8	2.0	58	-9.9	25.0	-33.1
Honduras	94	4.2	-0.7	4.2	96	4.9	-6.2	2.0	98	-0.7	5.9	2.2
Nicaragua	91	4.1	20.8	6.1	100	5.0	6.6	1.5	91	-0.9	13.3	4.5
Panama	173	23.3	31.0	4.2	131	2.1	2.4	2.0	133	20.8	27.9	2.1
Dominican Republic	137	-8.7	-3.6	20.3	113	5.0	-0.3	2.0	121	13.1	-3.3	18.0

Source: Economic Commission for Latin America and the Caribbean.

Note: For indexes, base: 1980 = 100. Rate means annual growth rate.

a/ Preliminary estimates.

/...

Table 10. Latin America and the Caribbean: trade balance (goods)

(Millions of dollars)

Country, area or group	Export of goods, FOB			Import of goods, FOB			Trade balance		
	1990	1991	1992 a/	1990	1991	1992 a/	1990	1991	1992 a/
Latin America and the Caribbean	121 823	121 284	126 100	94 417	11 540	132 010	27 406	9 774	-5 910
Oil-exporting countries	58 138	56 525	55 445	48 564	59 325	71 550	9 574	-2 800	-16 105
Bolivia	831	760	620	776	804	885	55	-44	-265
Colombia	7 080	7 572	7 135	5 108	4 535	5 570	1 972	3 037	1 565
Ecuador	2 714	2 851	2 965	1 711	2 207	2 260	1 003	644	705
Mexico	26 838	27 121	27 375	31 271	38 184	46 205	-4 433	-11 063	-18 830
Peru	3 231	3 329	3 335	2 891	3 494	3 970	340	-165	-635
Venezuela	17 444	14 892	14 015	6 807	10 101	12 660	10 637	4 791	1 355
Non-oil-exporting countries	63 685	64 759	70 655	45 853	52 215	60 460	17 832	12 544	10 195
South America	55 147	55 399	61 045	34 164	38 988	45 620	20 983	16 411	15 425
Argentina	12 354	11 972	12 700	3 726	7 400	13 065	8 628	4 572	-365
Brazil	31 414	31 625	35 600	20 661	21 010	20 100	10 753	10 615	15 500
Chile	8 310	8 929	9 965	7 037	7 354	9 170	1 273	1 575	795
Paraguay	1 376	1 268	1 100	1 473	1 680	1 575	-97	-412	475
Uruguay	1 693	1 605	1 680	1 267	1 544	1 710	426	61	-30
Central America and the Caribbean	8 538	9 360	9 610	11 689	13 227	14 840	-3 151	-3 867	-5 230
Costa Rica	1 354	1 491	1 770	1 797	1 698	2 205	-443	-207	-435
El Salvador	580	588	585	1 180	1 294	1 435	-600	-706	-850
Guatemala	1 211	1 230	1 310	1 428	1 673	2 095	-217	-443	-785
Haiti	160	163	95	247	300	205	-87	-137	-110
Honduras	848	808	885	870	864	900	-22	-56	-15
Nicaragua	332	268	235	570	688	730	-238	-420	-495
Panama b/	3 318	4 154	4 140	3 804	4 981	5 190	-486	-827	-1 050
Dominican Republic	735	658	590	1 793	1 729	2 080	-1 058	-1 071	-1 490

Sources: 1990 and 1991: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; figures for Brazil are estimates of the Economic Commission for Latin America and the Caribbean, on the basis of official figures. 1992: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Preliminary estimates of the Economic Commission for Latin America and the Caribbean. Figures have been rounded to the nearest 10 or 5.

b/ Excluding re-exports and trade in the Colón free zone, export totals were US$ 321 million, US$ 452 million and US$ 465 million for 1990, 1991 and 1992, respectively, while import totals for the same years were US$ 1,495 million, US$ 1,695 million and US$ 1,955 million. Thus, the merchandise trade balances for those years were US$ 1,174 million, US$ 1,270 million and US$ 1,490 million.

Table 11. Latin America and the Caribbean: balance of payments

(Millions of dollars)

Country area or group	Net service payments a/			Net payments of profits and interest c/			Balance on current account d/			Net movement of capital e/			Global balance f/		
	1990	1991	1992 b/	1990	1991	1992 b/	1990	1991	1992 b/	1990	1991	1992 b/	1990	1991	1992 b/
Latin America and the Caribbean	3 724	4 546	4 860	34 732	30 870	2[illegible] 590	-6 171	-19 401	-32 720	20 280	39 204	57 020	14 109	19 803	24 300
Oil-exporting countries	787	1 664	1 740	13 757	12 527	13 240	-1 920	-12 926	-27 250	8 356	26 686	30 825	6 436	13 760	3 575
Bolivia	169	159	175	244	242	195	-337	-422	-610	355	444	650	18	22	40
Colombia	-85	-13	420	2 384	2 192	1 770	714	2 575	1 065	-102	-739	435	612	1 836	1 500
Ecuador	223	271	300	1 053	950	840	-273	-577	-435	549	741	1 060	276	164	625
Mexico	-1 758	-2 607	-2 980	7 905	7 068	7 400	-8 413	-13 469	-20 750	10 716	21 461	23 250	2 303	7 992	2 500
Peru	848	1 117	725	1 406	1 447	1 425	-1 914	-2 729	-2 785	2 199	4 105	3 295	285	1 376	510
Venezuela	1 310	2 157	3 100	765	628	1 610	8 303	1 696	-3 735	-5 361	674	2 135	2 942	2 370	-1 600
Non-oil-exporting countries	3 017	3 480	3 120	28 975	18 343	16 350	-4 251	-6 475	-5 470	11 924	12 518	26 195	7 673	6 043	20 725
South America	4 477	5 184	4 995	19 638	16 996	14 545	-2 166	-4 142	-1 645	9 597	8 683	22 320	7 431	4 541	20 675
Argentina	674	1 634	2 235	6 122	5 634	4 200	1 903	-2 667	-6 800	1 476	5 297	9 300	3 379	2 630	2 500
Brazil	3 756	3 891	3 150	11 340	9 286	8 300	-3 509	-1 006	6 450	4 730	1 227	10 090	1 221	221	16 540
Chile	260	-36	-105	1 811	1 809	1 775	-744	-158	-805	3 075	1 404	2 745	2 331	1 246	1 940
Paraguay	-89	-68	-50	43	34	80	-44	-376	-505	263	674	50	219	298	-455
Uruguay	-124	-237	-235	322	233	190	228	65	15	53	81	135	281	146	150
Central America and the Caribbean	-1 460	-1 704	-1 875	1 337	1 347	1 805	-2 065	-2 333	-3 825	2 372	3 835	3 875	242	1 502	50
Costa Rica	-71	-157	-140	245	165	205	-561	-165	-450	364	513	600	-197	348	150
El Salvador	-19	6	5	124	127	110	-381	-369	-345	535	299	295	154	-70	-50
Guatemala	19	-140	-165	204	140	180	-235	-186	-540	205	740	420	-30	554	-120
Haiti	93	97	45	25	27	25	-152	-176	-90	179	154	75	27	-22	-15
Honduras	68	65	65	253	257	270	-317	-368	-340	341	434	360	24	66	20
Nicaragua	52	66	70	217	363	465	-507	-849	-1 020	468	935	960	-39	86	-60

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Table 11 (continued)

Country area or group	Net service payments a/			Net payments of profits and interest c/			Balance on current account d/			Net movement of capital e/			Global balance f/		
	1990	1991	1992 b/	1990	1991	1992 b/	1990	1991	1992 b/	1990	1991	1992 b/	1990	1991	1992 b/
Panama	-772	-798	-830	118	51	300	133	-105	-550	163	303	615	296	198	65
Dominican Republic	-830	-843	-905	151	217	250	-65	-115	-490	72	457	550	7	342	60

Source: 1990 and 1991: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; figures for Brazil are estimates of the Economic Commission for Latin America and the Caribbean based on official figures. 1992: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Does not include net payments of profits and interest.

b/ Preliminary estimates of the Economic Commission for Latin America and the Caribbean. Figures have been rounded to the nearest 10 or 5.

c/ Including interest due.

d/ Including net unrequited private transfer payments, which were of a significant level in 1992 in the following countries: Colombia, Mexico, Brazil, El Salvador, Guatemala and the Dominican Republic.

e/ Including short- and long-term capital, unrequited official transfer payments, and errors and omissions.

f/ Corresponding to the variations in international reserves (of opposite sign) plus counterpart items.

Table 12. Latin America and the Caribbean: net capital inflow and transfer of resources

	(1) Net capital inflow	(2) Net payments of profits and interest	(3) Transfer of resources (3)=(1)-(2)	(4) Export of goods and services	(5) Transfer of resources/export of goods and services (5)=(3)/(4)
	(Billions of dollars)				(Percentage)
Latin America and the Caribbean					
1975-1979 a/	104.9	44.6	60.3	287.4	21.0
1975-1979 b/	21.0	8.9	12.1	57.5	21.0
1980	32.0	18.9	13.1	104.9	12.5
1981	39.8	28.5	11.3	113.2	10.0
1982	20.1	38.8	-18.7	102.9	-18.2
1983	2.9	34.5	-31.6	102.4	-30.9
1984	10.4	37.3	-26.9	113.6	-23.7
1985	3.2	35.4	-32.2	108.6	-29.7
1986	10.0	32.6	-22.6	94.8	-23.8
1987	15.3	31.4	-16.1	107.9	-14.9
1988	5.5	34.2	-28.7	123.0	-23.3
1989	9.9	37.9	-28.0	136.5	-20.5
1990	20.3	34.7	-14.4	151.1	-9.5
1991	39.2	30.8	8.4	152.2	5.5
1992 c/	57.0	29.6	27.4	159.9	17.1
Oil-exporting countries					
1975-1979 a/	43.6	18.2	25.4	140.9	18.0
1975-1979 b/	8.7	3.6	5.1	28.2	18.0
1980	13.4	8.3	5.1	54.6	9.3
1981	17.6	12.2	5.4	59.2	9.2
1982	3.8	17.2	-13.4	55.7	-24.1
1983	-4.7	14.9	-19.6	54.0	-36.3
1984	-2.7	16.4	-19.1	59.5	-32.1
1985	-2.6	15.2	-17.8	55.0	-32.4
1986	2.6	13.4	-10.8	44.5	-24.3
1987	4.9	13.0	-8.1	52.4	-15.5
1988	1.2	13.2	-12.0	53.9	22.3
1989	5.1	15.2	-10.1	62.4	-16.2

	(1) Net capital inflow	(2) Net payments of profits and interest	(3) Transfer of resources (3)=(1)-(2)	(4) Export of goods and services	(5) Transfer of resources/export of goods and services (5)=(3)/(4)
	(Billions of dollars)				(Percentage)
Non-oil-exporting countries					
1975-1979 a/	61.3	26.4	34.9	146.5	23.8
1975-1979 b/	12.3	5.3	7.0	29.3	23.8
1980	18.6	10.6	8.0	50.3	15.9
1981	22.2	16.3	5.9	54.1	10.9
1982	16.3	21.6	-5.3	47.3	-11.2
1983	7.6	19.6	-12.0	48.4	-24.8
1984	13.1	20.9	-7.8	54.1	-14.4
1985	5.8	20.2	-14.4	53.6	-26.9
1986	7.4	19.2	-11.8	50.4	-23.4
1987	10.4	18.4	-8.0	55.4	-14.4
1988	4.3	21.0	-16.7	69.2	-24.1
1989	4.8	22.7	-17.9	74.0	-24.2
1990	11.9	21.0	-9.1	76.8	-11.8
1991	12.5	18.3	-5.8	78.1	-7.4
1992 c/	26.2	16.4	9.8	85.3	11.5

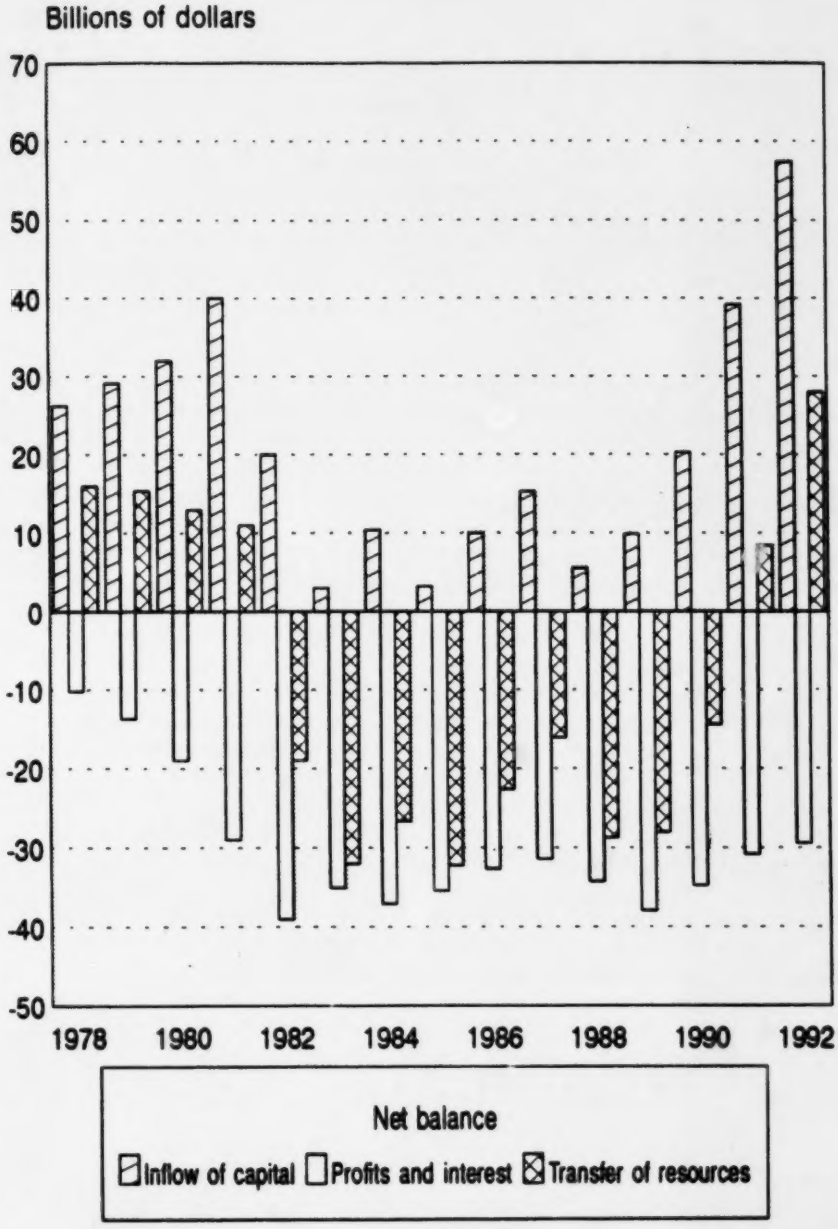
Source: 1975-1991: Economic Commission for Latin America and the Caribbean, on the basis of figures supplied by the International Monetary Fund; 1992: Economic Comission for Latin America and the Caribbean, on the basis of official figures.

a/ Accumulated.

b/ Average.

c/ Preliminary estimates.

Figure 2. Latin America and the Caribbean: net capital inflow and transfer of resources



Source: Economic Commission for Latin America and the Caribbean, on the basis of figures provided by the International Monetary Fund.

IV. EXTERNAL DEBT

38. After stagnating in 1991, the region's external debt rose 2 per cent in 1992, reaching a total of US$ 451 billion towards year's end (see table 13). Various factors led to this expansion, notably new bond placements abroad, which amounted to US$ 10 billion in late 1992, official credits, a proliferation of short-term credit operations and accumulated arrears in interest payments. The two main contractionary factors were the dollar's recent rise in international exchange markets, which reduced the dollar value of debt denominated in other currencies, and the various debt-reduction schemes implemented in many countries of the region. Lastly, debt growth was somewhat restrained by the dynamism of non-debt-related capital movements, especially foreign direct and indirect investment (in equity capital), as well as the flow of resources to short-term deposits in the region's banking systems, reflecting in part a repatriation of capital.

39. Indicators of the region's external debt burden continued to fall in 1992, prolonging the trend towards improvement observed in recent years. Thus, the coefficient reflecting interest due on the external debt as a percentage of the region's total exports of goods and services fell for the sixth year in a row, to 20 per cent, the lowest percentage recorded since 1980 and exactly half the maximum coefficient recorded in 1982, the year the external-payments crisis broke out. However, even with such a dramatic decrease, interest payments still absorbed an excessive proportion of the region's export earnings and efforts must therefore continue to reduce the cost of servicing of the debt.

40. While the evolution of the interest/export coefficient has been quite favourable in recent years, the relation between total debt and exports, a more structural indicator of the debt burden, has fallen relatively little over the same period. In 1992, the latter coefficient was 282 per cent for the region as a whole, compared to 290 per cent in 1991 and 310 per cent in 1989. The 1992 level, though still extraordinarily high, is 34 per cent less than the peak of 427 per cent recorded in 1986. Moreover, the coefficient does not reflect the improvement in the structure of debt payments represented by the extension of payback periods under various official restructuring exercises.

41. The average price of the region's bank debt on the secondary market rose slightly, from 45 cents in December 1991 to 46 cents in November 1992. The upward trend for some countries in arrears basically reflected a perception in the market that the authorities were in a better position to renegotiate their debt with creditor banks.

Table 13. Latin America and the Caribbean: total disbursed external debt a/

Country, area or group	Year-end balance (millions of dollars)							Annual growth rate (percentage)				
	1986	1987	1988	1989	1990	1991	1992 b/	1979-1981	1982-1983	1984-1990	1991	1992 b/
Latin America and the Caribbean	401 011	428 066	420 906	425 379	440 948	442 571	450 875	22.9	11.3	3.0	0.4	1.9
Oil-exporting countries	178 407	184 940	185 174	180 899	189 075	195 877	198 780	24.7	10.7	2.0	3.6	1.5
Bolivia c/	3 643	4 289	4 070	3 492	3 779	3 628	3 685	14.3	9.4	2.5	-4.0	1.6
Colombia	14 987	15 663	16 434	17 007	17 556	16 975	17 105	28.0	16.0	6.3	-3.3	0.8
Ecuador	9 063	10 300	10 581	11 322	11 856	12 271	12 600	21.0	18.3	7.0	3.5	2.7
Mexico	100 500	102 400	100 900	95 100	99 700	105 800	106 000	30.2	11.9	0.9	6.1	0.2
Peru	14 477	15 373	16 493	18 686	19 762	20 735	20 890	1.0	13.8	6.9	4.9	0.7
Trinidad and Tobago	1 898	2 082	2 012	2 097	2 520	2 431	2 500	29.3	16.3	8.5	-3.5	2.8
Venezuela d/	33 839	34 833	34 684	33 195	33 902	34 037	36 000	24.7	4.0	-0.3	0.4	5.8
Non-oil-exporting countries	222 604	243 126	235 732	244 480	251 873	246 694	252 095	21.5	11.7	3.9	-2.1	2.2
South America	191 818	209 825	201 012	206 752	212 841	208 103	212 395	21.9	11.1	3.4	-2.2	2.1
Argentina	51 422	58 324	58 473	63 314	60 973	60 000	58 000	41.9	12.4	4.4	-1.6	-3.3
Brazil	111 045	121 174	113 469	115 096	122 200	119 709	124 700	14.4	10.6	3.2	-2.0	4.2
Chile	20 716	20 660	18 960	17 520	18 576	17 360	18 775	30.5	7.6	0.4	-6.5	8.2
Guyana	1 542	1 736	1 778	1 801	1 984	2 063	2 190	28.1	17.8	9.4	4.0	6.2
Paraguay	1 855	2 043	2 002	2 027	1 725	1 788	1 420	12.3	24.5	2.3	3.7	-20.6
Uruguay	5 238	5 888	6 330	6 994	7 383	7 183	7 310	35.9	21.2	7.1	-2.7	1.8
Central America and the Caribbean	30 786	33 301	34 720	37 728	39 032	38 591	39 700	18.7	16.1	6.7	-1.1	2.9
Costa Rica	4 079	4 384	4 471	4 513	3 874	4 000	4 075	12.8	14.7	1.3	3.3	1.9
El Salvador	1 928	1 880	1 913	2 169	2 226	2 216	2 315	17.7	8.4	2.4	-0.4	4.5
Guatemala	2 674	2 700	2 599	2 731	2 602	2 561	2 565	19.0	24.8	2.7	-1.6	0.2

Country, area or group	Year-end balance (millions of dollars)							Annual growth rate (percentage)				
	1986	1987	1988	1989	1990	1991	1992 b/	1979-1981	1982-1983	1984-1990	1991	1992 b/
Haiti c/	696	752	778	803	861	826	845	21.0	21.7	6.6	-4.1	2.3
Honduras	3 366	3 773	3 810	3 374	3 526	3 174	3 160	17.5	16.7	7.2	-10.0	-0.4
Jamaica	3 575	4 014	4 002	4 039	4 152	3 874	3 940	22.6	14.9	5.2	-6.7	1.7
Nicaragua c/	5 760	6 270	7 220	9 741	10 616	10 454	11 200	27.1	21.5	15.9	-1.5	7.1
Panama c/	4 896	5 629	6 044	6 268	6 676	6 900	7 100	13.3	14.2	6.2	3.4	2.9
Dominican Republic	3 812	3 899	3 883	4 090	4 499	4 586	4 500	24.2	14.0	4.4	1.9	-1.9

Source: Economic Commission for Latin America and the Caribbean, on the basis of official figures.

a/ Including debt owed to the International Monetary Fund.

b/ Preliminary figures.

c/ Public-sector debt.

d/ Total debt according to figures supplied by official sources and international financial institutions.